



## **Tourism Business Improvement District FAQ**

### **Introduction**

What is a TBID?

A tourism business improvement district, or TBID, is a mechanism for funding tourism promotion activities. A TBID places an assessment on certain lodging business and ski resort revenues within a designated geographic area, with the funds raised used only for specific tourism marketing purposes.

What are TBID revenues spent on?

A TBID's sole purpose is to promote and improve tourism. Services provided with TBID funds often include advertising, website operations, special event sponsorship and other significant marketing programs. Some TBIDs also fund improvements, like landscaping, that will make their area more attractive to tourists. The bottom-line purpose of TBID activities is to bring more tourists into the area, increasing revenues for assessed lodging and ski resort businesses.

Why do we need a TBID?

Most tourist destinations in California now utilize TBIDs to fund their marketing programs. Forming a TBID will allow you to effectively compete with those destinations which have formed TBIDs. Tourist destinations without sufficient marketing budgets may fall behind their competition – forming a TBID will help keep this from happening.

What other places have TBIDs?

There are currently 110 TBIDs in operation throughout California. Major destinations with TBIDs include San Diego, Long Beach, Monterey City, Sacramento, and South Lake Tahoe. Many smaller areas, like Claremont, Folsom, Redding and Temecula have also formed TBIDs. And, many cities and counties are in the process of forming new TBIDs.



## **Renewal process**

How is a TBID renewed?

TBIDs are formed under California's Property and Business Improvement District Law of 1994. This law requires a thorough approval process, starting with submission of petitions from businesses to be in the district. Businesses which will pay more than half of the proposed assessment have to sign petitions in order to start the formation process.

What happens after the petitions are signed?

Signed petitions are turned into the City, which will initiate official renewal procedures. The City Council will adopt a Resolution expressing its intention to renew the district, and mail notice to all businesses to be assessed by the TBID. Those businesses will have at least 45 days to protest, and the City Council must hold a public meeting and a public hearing to give business owners the opportunity to express their opinions. The Council can then adopt a resolution forming the district as long as no majority protest has been filed.

Is the TBID renewed permanently?

No. The TBID will be renewed for a period of ten years. After those ten years, the TBID can be renewed again for another ten years, following the petition and hearing process.

How much power does a petition have?

The "weight" of each petition, or its total value, is calculated based on the estimated assessment the business will pay. The amount of assessment each business will pay is calculated using the prior year's revenue information. For example, if the total assessment to be paid by all establishments was \$100,000, an establishment that would pay \$10,000 would have 10% of the petition power. Thus, every establishment's vote is proportional to the assessment it will pay.



## Managament

How are TBIDs managed?

TBIDs are established and managed by the businesses paying the TBID assessment. Visit Big Bear acts as the owner's association and will manage TBID funds to ensure they are spent appropriately.

Is there a written document governing the TBID?

Yes. The TBID operates in accordance with a written management district plan. During the renewal process the Plan is on file with the City Clerk and available for review. The Plan will contain specific information like the assessment rate, collection, budget, and activities to be funded. Additionally, the Resolutions adopted by the City Council will contain these provisions.

What kind of oversight is there?

Every year Visit Big Bear will be required to submit a report to the City Council detailing the TBID's budget and activities for the upcoming year. In accordance with the Ralph M. Brown Act, notice of meetings where TBID business will be discussed must be posted in advance. TBID records also have to be kept in compliance with the California Public Records Act.

Can the City use assessment money for what they want?

No. The money raised with the TBID assessment must be used in accordance with the provisions of the management district plan. The money cannot be diverted to a City general fund, or spent for any purpose other than those given in the management district plan, which will be marketing the district as a tourist destination and making improvements to benefit tourism.



## **Budget**

This sounds like a tax. Is it?

No. State law specifically distinguishes assessments from taxes. The TBID assessment differs greatly from a tax because money raised will not go into a government fund. Instead, it will be returned to Visit Big Bear who will spend the money for the direct benefit of the assessed businesses. And an assessment also differs from a tax because it is requested and approved by only the businesses who will pay the assessment, rather than the general public.

Isn't this the same as the transient occupancy tax?

No. Transient occupancy taxes go to a city fund. There is no guarantee that TOT funds will be used for tourism promotion. In fact, as City budgets decrease, tourism promotion funding is often among the first things to be reduced or eliminated. The TBID, unlike the TOT, will ensure consistent funding for tourism promotion activities.

Are there limits on how money raised is spent?

There are very strict limits on how funds raised are spent. They cannot be diverted to any government program. Funds must be spent on programs and activities that directly benefit the businesses paying the assessment. Because the TBID assessments are on lodging businesses and the ski resort, the services it pays for will be designed to increase occupancy rates at assessed lodging businesses and increase visitors to the ski resort.

Can businesses pass the assessment on to guests?

There is no statute specifically allowing or disallowing passing the assessment on. Most lodging businesses do choose to pass the assessment on to customers. The assessment must be shown on the folio and disclosed to the guest in advance, when they book the room or buy lift tickets or passes.

Will this make hotel rooms too expensive?

No. Room fees will not significantly increase because of the TBID. Many cities and counties already employ TBIDs and have seen positive results.